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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION**

IN RE APPLIED SIGNAL  
TECHNOLOGY, INC. SECURITIES  
LITIGATION

MASTER FILE NO. C 05-1027 (SBA)

CLASS ACTION

THIS DOCUMENT RELATES TO:

ALL ACTIONS

**ORDER PRELIMINARILY APPROVING  
SETTLEMENT, DIRECTING NOTICE AND  
SCHEDULING HEARING DATE**

1 WHEREAS, the Court has received the Stipulation of Settlement dated as of  
2 March 26, 2009 (the "Settlement Stipulation") that has been entered into by the Lead  
3 Plaintiff and the Defendants, and

4 WHEREAS, the Court has reviewed the Settlement Stipulation and its attached  
5 exhibits, and, good cause appearing,  
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7 IT IS HEREBY ORDERED as follows:

8 1. For purposes of this Order, the Court adopts all defined terms as set forth  
9 in the Settlement Stipulation.

10 2. The Court hereby preliminarily approves the Settlement as being fair,  
11 reasonable, and adequate to the Settlement Class, subject to further consideration at the  
12 Settlement Hearing.

13 3. The Court preliminarily finds, for purposes of the Settlement only, that the  
14 prerequisites to a class action under Federal Rules of Civil Procedure 23(a) and (b)(3)  
15 have been satisfied in that: (a) the number of Settlement Class Members is so numerous  
16 that joinder of all members thereof is impracticable; (b) there are questions of law or fact  
17 common to the Settlement Class; (c) Lead Plaintiff's claims are typical of the claims of  
18 the Settlement Class he seeks to represent; (d) Lead Plaintiff will fairly and adequately  
19 represent the interests of the Settlement Class; (e) the questions of law or fact common to  
20 the Members of the Settlement Class predominate over any questions affecting only  
21 individual members of the Settlement Class; and (f) a class action is superior to other  
22 available methods for the fair and efficient adjudication of the controversy. Accordingly,  
23 pursuant to Federal Rule of Civil Procedure 23, and for purposes of the Settlement only,  
24 the Court hereby:  
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(i) preliminarily certifies, for the purposes of this Settlement, a Settlement Class of all Persons who purchased the common stock of Applied Signal Technology, Inc. ("Applied Signal") during the period between August 25, 2004 and February 22, 2005, inclusive, with the exception of the following excluded Persons: Defendants, the Company's employees, officers, directors, members of Defendants' immediate families; any entity in which any Defendant has a controlling interest or which the Company is a parent or subsidiary; those Persons who timely and validly request exclusion from the Settlement Class pursuant to the Notice of Pendency and Proposed Settlement of Class Action and Settlement Hearing ("Notice") to be sent to the Settlement Class; and the legal representatives, heirs, successors or assigns of any excluded Person;

(ii) preliminarily appoints Lead Plaintiff Frank Whiting as representative of the Settlement Class; and

(iii) preliminarily appoints Izard Nobel LLP as Lead Counsel for the Settlement Class and Bramson, Plutzik, Mahler & Birkhaeuser, LLP as Liaison Counsel for the Settlement Class.

4. For purposes of the Settlement only, Lead Counsel is authorized to act on behalf of the Settlement Class with respect to all acts required by, or which may be given pursuant to, the Stipulation or such other acts which are reasonably necessary to consummate the proposed Settlement set forth in the Stipulation.

5. Subject to the terms of the Settlement Stipulation and direction of the Court, Lead Counsel is hereby approved and authorized to act as Escrow Agent and the firm of FRG Information Systems Corp., is hereby appointed as Claims Administrator to

1 supervise and administer the Notice procedure as well as the proving of claims in  
2 accordance with the Settlement Stipulation.

3           6.       The proposed form of Notice attached hereto as Exhibit A-1 (the  
4 “Notice”) is hereby approved, and the Court preliminarily finds that the Notice complies  
5 with the requirements of Rule 23 of the Federal Rules of Civil Procedure, the  
6 requirements of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 77u-  
7 4(a)(7), and the United States Constitution.

9           7.       Lead Counsel shall make reasonable efforts to identify all Settlement  
10 Class Members, including beneficial owners whose Applied Signal common stock was  
11 held by banks, brokerage firms, or other nominees. Present and past transfer agents of  
12 Applied Signal and Defendants shall provide reasonable assistance, to the extent  
13 permitted by law, to Lead Counsel to enable them to identify Settlement Class Members,  
14 including providing names and addresses of all Persons that purchased Applied Signal  
15 common stock during the Settlement Class Period, to the extent that such information is  
16 in the possession, custody or control of, or could be obtained through a reasonable effort  
17 by, Defendants.

19           8.       The Notice, together with the Proof of Claim and Release attached hereto  
20 as Exhibit A-3 (the “Proof of Claim and Release”), shall be sent to all Members of the  
21 Settlement Class who can reasonably be identified, by first class mail, postage prepaid,  
22 no later than twenty-one (21) business days from the date of this order (the “Notice  
23 Date”).  
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1           9.       No later than seven (7) business days following the Notice Date, Lead  
2 Counsel shall publish a summary form of notice in the form attached hereto as Exhibit A-  
3 2 (the "Summary Notice") in *The Wall Street Journal*.

4           10.      No later than seven business days following the Notice Date, Lead  
5 Counsel shall include a copy of this Order, the Notice, the Summary Notice and the Proof  
6 of Claim and Release on the firm website of Iazard Nobel LLP, [www.izardnobel.com](http://www.izardnobel.com).

7           11.      Pursuant to Rule 23 of the Federal Rules of Civil Procedure, this Court  
8 preliminarily finds and concludes that the mailing, publication and electronic notification  
9 pursuant to paragraphs 8 - 10 hereof constitute the best notice practicable under the  
10 circumstances and provide due and sufficient notice of the matters set forth in the Notice  
11 to all Persons entitled to such notice. and that said notice satisfies the requirements of  
12 Rule 23 of the Federal Rules of Civil Procedure, the requirements of the Private  
13 Securities Litigation Reform Act of 1995, 15 U.S.C. § 77u-4(a)(7), and the requirements  
14 of due process and the United States Constitution. The Court further authorizes payment  
15 of Costs of Notice and Costs of Administration as further described in the Settlement  
16 Stipulation.

17           12.      No less than seven (7) days before the date scheduled by this Court for the  
18 Settlement Hearing, Lead Counsel shall cause to be filed with the Clerk of the Court and  
19 served upon Defendants' counsel affidavits or declarations of the Person(s) under whose  
20 general direction the (i) mailing of the Notice and Proof of Claim and Release shall have  
21 been made and (ii) the publication of the Summary Notice shall have been made,  
22 showing that such mailing and publication have been made in accordance with this Order.  
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1           13. Pursuant to the Notice, each nominee shall either: (1) send the Notice and  
2 Proof of Claim to Settlement Class Members for which they act as nominee by first class  
3 mail within ten (10) days after the nominee receives the Notice; or (2) send a list of the  
4 names and addresses of such beneficial owners to the Claims Administrator within ten  
5 (10) days after the nominee receives the Notice and, in the event of the latter, the Claims  
6 Administrator shall send by first class mail the Notice and Proof of Claim to all  
7 Settlement Class Members who are on the list received from the nominee. The Claims  
8 Administrator shall, if requested, reimburse banks, brokerage houses or other nominees  
9 for their reasonable out-of-pocket expenses incurred in providing notice to beneficial  
10 owners who are Settlement Class Members, which expenses would not have been  
11 incurred except for the sending of such notice, subject to further order of this Court with  
12 respect to any dispute concerning such compensation.  
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14           14. Any Member of the Settlement Class who wishes to be excluded from the  
15 Settlement Class must submit a Request for Exclusion to the Claims Administrator no  
16 later than fourteen (14) days prior to the Settlement Hearing, in accordance with the  
17 Notice. A Request for Exclusion must state: (1) the name, address, and telephone  
18 number of the Person requesting exclusion; (2) the Person's purchases and sales of  
19 Applied Signal common stock made during the Settlement Class Period, including the  
20 dates, the number of shares of common stock, and price paid or received per share for  
21 each such purchase or sale; and (3) that the Person wishes to be excluded from the  
22 Settlement Class. All Persons who submit Requests for Exclusion in the manner set forth  
23 in the Notice shall have no rights under the Settlement, shall not share in the distribution  
24 of the Settlement Fund, and shall not be bound by the Settlement or the Judgment. The  
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1 Claims Administrator shall provide copies of any and all Requests for Exclusion to Lead  
2 Counsel and Defendants' counsel, at least seven (7) days before the Settlement Hearing.

3       15. Any Settlement Class Member who objects to the settlement of the  
4 Litigation, the proposed Plan of Allocation, the application of Lead Counsel for attorneys'  
5 fees, costs, and expenses, and/or the application for an award to Lead Plaintiff shall have  
6 a right to appear and be heard at the Settlement Hearing. Any Settlement Class Member  
7 may enter an appearance through counsel of such member's own choosing and at such  
8 member's own expense or may appear on their own. However, no Settlement Class  
9 Member shall be heard at the Settlement Hearing unless, on or before fourteen (14) days  
10 prior to the Settlement Hearing, such Person has filed with the Court a written notice of  
11 objection, and the grounds for opposing the Settlement, Plan of Allocation, or application  
12 for attorneys' fees, costs and expenses and/or the application for an award to Lead  
13 Plaintiff. The written notice of objection must demonstrate the objecting Person's  
14 membership in the Settlement Class including (a) the objecting Person's name, address  
15 and telephone number; (b) the number of shares of Applied Signal common stock  
16 purchased and sold during the Settlement Class Period by the objecting Person; and (c) a  
17 statement of the reasons for objection. The written notice of objection must be delivered  
18 to the Court, Lead Counsel and counsel for Defendants. The manner in which a notice of  
19 objection must be prepared, filed, and delivered shall be stated in the Notice. Only  
20 Settlement Class Members who have filed and delivered valid and timely written notices  
21 of objection will be entitled to be heard at the Settlement Hearing unless the Court orders  
22 otherwise.  
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1           16. Pending resolution of these settlement proceedings, Lead Plaintiff and all  
2 other potential Settlement Class Members, whether directly, representatively, or in any  
3 other capacity, whether or not such persons have appeared in the Litigation, shall not  
4 institute or prosecute any claims against the Defendants or the Released Persons which  
5 have been or could have been asserted in the Litigation, or that arise out of all or any part  
6 of the subject matter of this Litigation.  
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8           17. A Settlement Hearing will be held before the undersigned on **July 28,**  
9 **2009, at 1:00 p.m.** in Courtroom #3, 3rd Floor, 1301 Clay Street, Oakland, California  
10 94612-5212 to determine (i) whether the proposed Settlement should be finally approved  
11 as fair, reasonable and adequate, and the Litigation therefore dismissed on the merits with  
12 prejudice; (ii) whether the Fee and Expense Application and the Lead Plaintiff's Expense  
13 Application should be approved; (iii) whether the Judgment approving the Settlement  
14 should be entered; and (iv) whether Lead Counsel's proposed Plan of Allocation should  
15 be approved. The Court may adjourn or continue the Settlement Hearing without further  
16 notice to Settlement Class Members.  
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18           18. The Parties are hereby directed to file their briefs in support of the  
19 Settlement no later than fourteen (14) days before the Settlement Hearing. Lead Counsel  
20 shall file any papers they wish to submit in support of the Fee and Expense Application  
21 and Lead Plaintiff's Expense Application no later than fourteen (14) days before the  
22 Settlement Hearing.  
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24           19. No Person that is not a Settlement Class Member or counsel for the  
25 Plaintiffs shall have any right to any portion of, or in the distribution of, the Settlement  
26 Fund unless otherwise ordered by the Court or otherwise provided in the Stipulation.  
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1           20. All funds held by the Escrow Agent shall be deemed and considered to be  
2 in custodia legis of the Court in accordance with the Stipulation, and shall remain subject  
3 to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant  
4 to the Stipulation, the Plan of Allocation and/or further order(s) of the Court.  
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6           21. No later than one hundred twenty (120) days after the Notice Date, any  
7 Settlement Class Member who wishes to participate in the Settlement Fund must submit a  
8 valid Proof of Claim form to the Claims Administrator. Proof of Claim forms shall be  
9 deemed to have been submitted when postmarked, if mailed by first class, or registered or  
10 certified mail, postage prepaid, addressed in accordance with the instructions given in the  
11 Proof of Claim and Release. All other Proof of Claim and Release forms shall be deemed  
12 to have been submitted at the time they are actually received by the Claims  
13 Administrator. To be valid, a Proof of Claim must: (1) be completed in a manner that  
14 permits the Claims Administrator to determine the eligibility of the claim as set forth in  
15 the Proof of Claim; (2) include the release by the Claimant of all Released Persons as set  
16 forth in the Stipulation; and (3) be signed with an affirmation that the information is true  
17 and correct. All Settlement Class Members who do not submit valid and timely Proof of  
18 Claim forms shall be forever barred from receiving any payments from the Settlement  
19 Fund, but will in all other respects be subject to and bound by the provisions of the  
20 Stipulation and the Final Judgment, if entered.  
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23           22. Neither Defendants nor Defendants' counsel shall have any responsibility  
24 for the Plan of Allocation of the Settlement Fund submitted by Lead Counsel and it will  
25 be considered separately from the fairness, reasonableness and adequacy of the  
26 Settlement.  
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1           23. All proceedings in the Litigation are stayed until further order of the  
2 Court, except as may be necessary to implement the settlement or comply with the terms  
3 of the Stipulation.

4           24. The Court may, for good cause, extend any of the deadlines set forth in  
5 this order without further notice to Settlement Class Members.  
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7 Dated:5/22/09

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10 HONORABLE SAUNDRA BROWN ARMSTRONG  
11 UNITED STATES DISTRICT COURT JUDGE  
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